

# **Audit**



# **Report**

OFFICE OF THE INSPECTOR GENERAL

**ADMINISTRATION OF STUDY AND RESEARCH  
CONTRACTS AT THE DEFENSE NUCLEAR AGENCY**

Report No. 93-080

March 30, 1993

**Department of Defense**



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-2884**

March 30, 1993

REPORT  
NO. 93-080

MEMORANDUM FOR DIRECTOR, DEFENSE NUCLEAR AGENCY

SUBJECT: Report on the Administration of Study and  
Research Contracts at the Defense Nuclear Agency  
(Project No. 2AB-0074)

**Introduction**

We are providing this final report for your information and use. The report addresses whether the Defense Nuclear Agency (DNA) was effective in the administration of study and research contracts. We evaluated the validity of requirements for study and research contracts and evaluated internal controls to prevent unwarranted duplicative research efforts. We also followed up on recommendations made in Inspector General, DoD, Report No. 86-074, "Survey of Study and Research Contracts at the Defense Nuclear Agency," February 28, 1986. Our survey found that DNA was effectively managing the administration of study and research contracts.

**Scope of Survey**

We performed survey work at DNA Headquarters, Alexandria, Virginia; Field Command, DNA, Albuquerque, New Mexico; Nevada Operations Office, Las Vegas, Nevada; and various contractor locations identified in Enclosure 1. We obtained a list from Headquarters DNA personnel of 166 study and research contracts actions, valued at \$1 million or more. These actions represented 90 contracts, valued at \$615 million, that were awarded by DNA from FYs 1986 through 1992. We selected 30 of the highest dollar-value contracts for our survey review. The value of the 30 contracts was \$315 million. Although our sample was not statistically based, we believe it was representative of DNA's contracting operations.

**The following acronym is used in this report.**

DNA.....Defense Nuclear Agency

Office of the Inspector General, DoD

REPORT NO. 93-080

March 30, 1993

(Project No. 2AB-0074)

**SURVEY REPORT ON ADMINISTRATION OF STUDY AND RESEARCH  
CONTRACTS AT THE DEFENSE NUCLEAR AGENCY**

**EXECUTIVE SUMMARY**

**Introduction.** DoD Directive 5105.31, "Defense Nuclear Agency," (DNA) dated January 24, 1991, established DNA's operating authority. DNA also provides support to the Office of the Secretary of Defense, the Military Departments, the Joint Chief of Staff, and other DoD agencies and field activities.

We obtained from Headquarters DNA a list of 166 study and research contract actions, valued at \$1 million or more issued by DNA. These actions represented 90 contracts, valued at \$615 million, that were awarded from FYs 1986 through 1992. We reviewed 30 of these contracts during the survey phase. Total value of the 30 contracts is \$315 million.

**Objectives.** The overall survey objectives were to:

- o evaluate the effectiveness of DNA's administration of study and research contracts;

- o evaluate the validity of requirements for study and research contracts;

- o evaluate internal controls to prevent unwarranted duplicative research efforts; and

- o follow up on recommendations made to the Defense Nuclear Agency in Inspector General, DoD, Report No. 86-074, "Survey of Study and Research Contracts at the Defense Nuclear Agency," February 28, 1986.

**Survey Results.** DNA was effectively managing the administration of study and research contracts.

**Internal Controls.** Internal controls were effective, and no material internal control deficiencies were disclosed. DNA has established effective procedures for the administration of study and research contracts.

**Summary of Recommendations.** As a result of the survey, we did not make recommendations or claim monetary benefits.

**Management Comments.** DNA concurred with our survey results.

We analyzed the policies and procedures used by DNA to award a sole source or a competitive contract. This analysis included a review of each contract to ensure that the proper documents were in the contract file. In addition, we validated the requirements and interviewed the proposed user when applicable. We interviewed DNA's Director and Deputy Director, Acquisition Management; contracting officers; contract specialists; contracting officer's technical representatives; and contractor personnel. Also, we reviewed test simulators, software, and hardware that were being developed by the contractors to meet the contract requirements.

This economy and efficiency survey was made from October through December 1992 in accordance with the auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and included such tests of internal controls as were considered necessary. Enclosure 2 lists the activities visited or contacted.

### **Internal Controls**

We assessed the internal control procedures associated with DNA administration of study and research contracts. We reviewed the policies in place to ensure that there was no unwarranted duplication between contracts. We also reviewed the contracts to ensure that a DNA representative checked the Defense Technical Information Center to ensure that there was no unwarranted duplication of work before contract award.

DNA managers responsible for acquisition, technical, management, budget, and security areas concurrently reviewed each proposed contract before award. This internal control procedure ensures that there is no unwarranted duplication, that contract management officials have reviewed the contract, that funds are available, and that the contract receives the proper security classification. This internal control procedure was completed for all contracts reviewed. We found DNA's internal controls to be effective in preventing unwarranted duplication of study and research contracts.

### **Background**

DoD Directive 5105.31, "Defense Nuclear Agency," January 24, 1991, established DNA's responsibilities, functions, and authorities. The Directive states that DNA has the responsibility to conduct DoD Research, Development, Test and Evaluation activities on matters concerning nuclear weapons; conduct the weapons effects research test program; manage the nuclear weapons stockpile; and conduct nuclear test inspections of military Service units. DNA also

provides support to the Office of the Secretary of Defense, the Military Departments, the Joint Chiefs of Staff, and other DoD agencies and field activities.

### **Prior Audit Coverage**

DoD, IG, Report No. 86-074, "Survey of Study and Research Contracts at the Defense Nuclear Agency," was issued February 28, 1986. This audit evaluated whether contracts funded by the Defense Nuclear Agency were within DNA's assigned mission area and whether contract research requirements were coordinated with appropriate DoD components. The report concluded that

- o some contracts included one or more tasks within the assigned responsibility of the Defense Intelligence Agency;

- o intelligence-related research efforts performed by contractors for the Defense Nuclear Agency resulted in some draft reports not being coordinated with or validated by the Defense Intelligence Agency; and

- o contractors were not delivering draft reports to the Defense Nuclear Agency within required timeframes.

The report made 14 recommendations. One of our objectives was to determine the status of those recommendations.

### **Discussion**

The Defense Nuclear Agency has policies and procedures to ensure the effective administration of DNA study and research contracts. For the 30 contracts selected, we determined that the contracts were properly approved, awarded, and administered. We reviewed the contracts to ensure that

- o all technical reviews and management validation checks, including budget and security reviews, were performed and signed by the appropriate officials;

- o modifications made to the original contract were within the statement of work; and

- o the contracts were approved and awarded in accordance with the applicable Federal Acquisition Regulations.

Another objective was to review the contracts to determine if the requirements were validated and documented before contract award. DNA's procurement request process had the procedures in place to ensure that contract

requirements were reviewed and approved before the contract was awarded. These procedures included a technical review and management validation of the technical requirements by the user and the contracting officer's technical representative. This procedure was completed on all contracts.

In addition, we followed up on the recommendations made in the Inspector General Report "Survey of Study and Research Contracts at the Defense Nuclear Agency." We determined that DNA had taken adequate steps to implement the report recommendations.

Our survey disclosed that DNA had controls in place to ensure that there would be no unwarranted duplication of contracts. Accordingly, there were no material internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38.

#### Management Comments

We provided a copy of this draft report to the Director, Defense Nuclear Agency, on February 16, 1993. On March 15, 1993, we received comments from the Director that concurred with our survey results. A complete text of the comments is shown in Enclosure 1.

We appreciate the cooperation and courtesies extended to the staff during the survey. If you have questions concerning this report, please contact Mr. Raymond Spencer, Program Director, at (703)614-3995 (DSN 224-3995) or Mr. Michael Simpson, Project Manager, at (703)693-0371 (DSN 223-0371). Enclosure 3 lists the planned distribution of this report.



Robert J. Lieberman  
Assistant Inspector General  
for Auditing

Enclosures



# Defense Nuclear Agency



Defense Nuclear Agency  
6801 Telegraph Road  
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IG

15 March 1993

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL  
(ACQUISITION MANAGEMENT DIRECTORATE)

SUBJECT: Response to Draft Audit Report, "Survey of the  
Administration of Study and Research Contracts at  
the Defense Nuclear Agency"

Thank you for the opportunity to review the subject report. We are pleased with the results of the survey as evidenced by the report. In response to your request for comments, our reply is negative. Also, in light of the results of the survey and the extensive informal briefing provided to our Deputy Director in December 1992, we see no need for a formal briefing on the survey results. If you have any further questions for us, please do not hesitate to contact my office, (703) 325-7096.

FOR THE DIRECTOR:

*J. F. Ford*  
J. F. FORD

CAPT, USN  
Inspector General

ENCLOSURE 1

## ACTIVITIES VISITED OR CONTACTED

### Joint Chiefs of Staff

U.S. Strategic Command, Offutt Air Force Base, Omaha, NE

### Department of the Air Force

Air Force Electronic Warfare Center, San Antonio, TX

### Defense Agencies

Defense Nuclear Agency, Alexandria, VA  
Nevada Operations Office, Defense Nuclear Agency,  
Las Vegas, NV  
Field Command, Defense Nuclear Agency, Albuquerque, NM

### Contractors

BDM International, Albuquerque, NM  
Bechtel National, Incorporated, San Francisco, CA  
Bendix Field Engineering Corporation, Albuquerque, NM  
Bendix Field Engineering Corporation, Las Vegas, NV  
General Dynamics, San Diego, CA  
Jaycor, San Diego, CA  
Lockheed Missiles and Space Company, Incorporated, Palo Alto, CA  
Maxwell Laboratories, San Diego, CA  
Mission Research Corporation, Santa Barbara, CA  
Physics International Company, San Leandro, CA  
R&D Associates, Los Angeles, CA  
Science Application International Corporation,  
Albuquerque, NM

ENCLOSURE 2

## REPORT DISTRIBUTION

### Defense Agencies

Director, Defense Nuclear Agency, Alexandria, VA  
Commander, Field Command, Defense Nuclear Agency,  
Albuquerque, NM  
Director, Nevada Operations Office, Defense Nuclear Agency,  
Las Vegas, NV

### Non-Defense Organizations

Office of Management and Budget  
General Accounting Office, National Security and  
International Affairs Division, Technical Information  
Center

Chairman and Ranking Minority Member of the Following  
Congressional Committees and Subcommittees:

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on  
Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on  
Appropriations  
House Committee on Armed Services  
House Committee on Government Operations  
House Subcommittee on Legislation and National Security,  
Committee on Government Operations

ENCLOSURE 3

**LIST OF AUDIT TEAM MEMBERS**

Donald E. Reed, Director, Acquisition Management Directorate  
Thomas F. Gimble, Deputy Director  
Raymond A. Spencer, Program Director  
Michael E. Simpson, Project Manager  
Michael A. Tarlaian, Team Leader  
Hezekiah Williams, Team Leader  
Margaret P. Richardson, Auditor  
Gary B. Dutton, Auditor  
David P. Cole, Auditor  
Kenneth B. VanHove, Auditor